

Message Text

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SUBJECT:TCWP INTERNAL MEASURES STUDY

REFS: (A) STATE 267479 (1975) (B) OECD PARIS 29857 (1975)

1. A REVIEW OF THE HYPOTHETICAL CASE STUDIES AND THE
ANALYTICAL PAPER PREPARED BY OECD SECRETARIAT AS WELL AS
A REVIEW OF WHAT MORE WE COULD GAIN AT THIS TIME FROM
CONTINUED DISCUSSION AND EFFORTS TO REACH AGREEMENT ON
DEFINITIONS OF INTERNAL MEASURES HAVE LED US TO CONCLUDE
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THAT THE BEST POSSIBLE COURSE IS A GRACEFUL EXIT. WE DO,

HOWEVER, FEEL THAT SOME PURPOSE COULD BE SERVED BY A BRIEF DISCUSSION OF THE SECRETARIAT STUDIES AND A REPORT TO THE TC WHICH CAN THEN MAKE A FINAL ASSESSMENT.

2. ACCORDINGLY, WE HAVE PROVIDED TALKING POINTS WHICH YOU MAY DRAW UPON AT YOUR DISCRETION AND A SUGGESTED DRAFT REPORT WHICH MIGHT SERVE AS THE BASIS FOR THE TCWP'S SUBMISSION TO THE TRADE COMMITTEE.

3. TALKING POINTS

(A) THE U.S. INITIALLY SPELLED OUT TWO GOALS FOR THIS

EXERCISE (1) TO BRING TO AN ORDERLY AND ORGANIZED COMPLETION A PROJECT ON WHICH MUCH TIME AND ENERGY HAD BEEN SPENT AND (2) TO REACH AGREEMENT ON THE DEFINITION OF INTERNAL MEASURES AND ON ANALYTICAL TECHNIQUES FOR ASSESSING THE TRADE EFFECT OF THESE.

(B) WITH REGARD TO THE SECOND OBJECTIVE, WE HAVE FOUND THE STUDIES AND ANALYTICAL TECHNIQUES DEVELOPED BY THE SECRETARIAT MOST USEFUL AND WOULD LIKE TO COMMEND THE STAFF FOR AN EXCELLENT JOB ON A VERY DIFFICULT TASK.

(C) THE FOUR CASE STUDIES HAVE APPROPRIATELY OUTLINED THE GENERAL EFFECTS VARIOUS INTERNAL MEASURES CAN HAVE ON INTERNATIONAL TRADE FLOWS BOTH WITH RESPECT TO POSSIBLE TRADE DIVERSION AND TRADE CREATION.

(D) THE U.S. HAS, FOR EXAMPLE, BEEN MOST CONCERNED ABOUT THE EFFECTS ON TRADE OF THOSE MEASURES WHICH ARE DESIGNED PRINCIPALLY TO ENABLE FIRMS WHICH MIGHT OTHERWISE NOT BE COMPETITIVE IN EITHER THE LONG OR SHORT RUN TO ENTER EXPORT MARKETS OR TO REPLACE IMPORTS THROUGH IMPORT SUBSTITUTION. ("MEASURES" AS USED HERE DOES NOT INCLUDE TARIFF AND NON-TARIFF MEASURES WHICH ARE BEING DISCUSSED ELSEWHERE.) THE FIRST STUDY, CASE I: CREATION OF A NEW INDUSTRY, ILLUSTRATES VERY WELL THE KIND OF EFFECTS SUCH A MEASURE CAN HAVE ON TRADE EVEN IF PRECISE QUANTIFICATION IS DIFFICULT.

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(E) DESPITE THE OBVIOUS DIFFICULTY OF CONDUCTING A GENERAL EQUILIBRIUM ANALYSIS, THIS SHOULD NOT BE INTERPRETED TO MEAN THAT IT IS EITHER IMPOSSIBLE OR UNREASONABLE FOR TRADING PARTNERS DRAWING ON THE GENERAL ANALYTICAL CONCEPTS OUTLINED BY THE SECRETARIAT TO PROJECT THAT CERTAIN MEASURES WILL ADVERSELY AFFECT THEIR TRADE TO SOME DEGREE.

(F) WE FEEL THAT THE BEST WAY TO SATISFY OUR FIRST OBJECTIVE OF COMPLETING THIS PROJECT IS TO SUBMIT A REPORT TO THE TC WITH THE RECOMMENDATION THAT FURTHER WORK AT THIS TIME WOULD BE UNLIKELY TO PRODUCE RESULTS BEYOND THOSE PROVIDED THROUGH THE SECRETARIAT'S WORK. , GGESTED DRAFT REPORT: "AT ITS 44TH SESSION HELD ON 23RD-24TH SEPTEMBER 1975, THE TRADE COMMITTEE ASKED ITS WORKING PARTY TO CONTINUE THE STUDY ON INTERNAL POLICIES AND THEIR IMPACT ON INTERNATIONAL TRADE, CONCENTRATING ON PAPERS COVERING FOUR HYPOTHETICAL CASES INVOLVING INTERNAL MEASURES AND A PAPER ON ANALYTICAL TECHNIQUES WHICH MIGHT BE APPLIED IN TRYING TO ASSESS THE

IMPACT ON INTERNATIONAL TRADE OF SUCH INTERNAL MEASURES WHICH HAD BEEN PREPARED EARLIER BY THE SECRETARIAT. THE WORKING PARTY MET ON NOVEMBER 12, AND AGAIN ON JANUARY 8 TO DISCUSS THIS SUBJECT. THE DELEGATIONS FOUND THE SECRETARIAT PAPERS TO BE MOST HELPFUL IN ILLUSTRATING SOME OF THE POSSIBLE EFFECTS OF INTERNAL MEASURES ON TRADE. IT WAS THE CONSENSUS OF THE WORKING PARTY, HOWEVER, THAT THE PROBLEM OF MEASURING THE PARTIAL AND GENERAL EQUILIBRIUM EFFECTS, AND HENCE THE WELFARE GAINS AND LOSSES OF INTERNAL MEASURES IS MOST DIFFICULT AND THAT FURTHER WORK AT THIS TIME WOULD BE UNLIKELY TO PRODUCE RESULTS BEYOND THOSE ALREADY COVERED IN THE SECRETARIAT PAPERS. THEREFORE, THE WORKING PARTY SUGGESTS THIS MATTER NOT BE PURSUED FURTHER AT THE PRESENT TIME.END TEXT. KISSINGER

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